

DEPARTMENT OF FINANCE AND ADMINISTRATION - POLICY 06

Policy 06 - Payments Under Contract After Closing or Purging of Contract From STARS

Component 01 - Basis for Authority

Section 01 - Applicable State Law

§06-01-101: Accounting Powers Granted By State Law - This Policy Statement 06 is issued by the Department of Finance and Administration under the authority granted by T.C.A. 4-3-1007.

Section 02 - Applicability and Effective Date

§06-01-201: Applicability - The requirements of this Policy Statement 06 apply to any and all state agencies which create written contractual relationships which are binding to the State of Tennessee or any part thereof, and which are responsible for performance and/or payment for services rendered under the terms of such written contract.

§06-01-202: Effective Date - This Policy Statement 06 shall be effective July 1, 1988, and shall remain in effect until amended or rescinded.

Section 03 - General Rule

§06-01-301: General Rule - All payments made under a contract after such contract has been closed or purged from STARS (late contract payments) shall be made in accordance with the requirements of this Policy Statement 06.

Component 02 - Policy for Payments Under Contract After
Closing or Purging of Contract From STARS

Section 01 - Introduction

§06-02-101: Introduction - Many times there are requests for payment received after the contract record on STARS has been closed or purged. Usually these requests involve small amounts of money, the liability for which was not recognized and accrued prior to the closing or purging of the contract on STARS. In the past, there has been no choice but to amend the closed or purged contract, or to negotiate an entirely new contract. However, because the majority of these late contract payments involve such small amounts of money, this process is not cost effective. Therefore, this Policy Statement 06 was developed to allow the majority of these exceptions to be processed without the need for an amended or new contract.

Section 02 - Processing of Late Contract Payments

§06-02-201: Levels of Approval Requirements - If the request for payment is due to goods or services provided by the contractor prior to the expiration of the contract, and such goods or services are legitimate under the terms of the contract, the payment will be made as outlined below:

A. If the late contract payment request is \$1,000.00 or less, the payment will be made without any further approval requirements. However, the invoice and voucher information shall be sufficiently documented, as determined by the Department of Finance and Administration's Division of Accounts, so that the payment can be identified as made under the closed or purged contract (NOTE: This documentation requirement is in addition to the normal documentation required for payments made under contracts).

B. If the late contract payment request is greater than \$1,000.00, and no greater than \$25,000.00, the payment will be made subject to the approval of all appropriate state officials who were party to the original contract agreement (see attached example authorization document). Again, the invoice and voucher information shall be sufficiently documented so that the payment can be identified as made under the closed or purged contract [See (A) above].

C. If the late contract payment request is greater than \$25,000.00, the request for payment shall be reviewed by all appropriate state officials who were party to the original agreement for the determination of the possible need of an amendment to the contract, or the possible negotiation of a new contract. If it is determined by these officials that such amendment or new contract is not necessary, the payment will be made subject to the approval of all such officials (see attached example authorization document). Again, the invoice and voucher information shall be sufficiently documented so that the payment can be identified as made under the closed or purged contract [See (A) above].

§06-02-202: Accounting For Late Contract Payments Crossing Fiscal Year End - Late contract payments, as used in this policy statement occur only when the contract has been closed or purged on STARS and there has been no accrual, or insufficient accrual, for expenses incurred under the contract, but not yet paid. If the closing or purging of the contract, and the late contract payment occur in differing fiscal years, this additional expense for which there has been no accrual shall be recognized in the fiscal year in which the payment is made, and shall not be retroactively recognized in the fiscal year in which the contract expired.

§06-02-203: Monitoring of Payments Made Under Closed or Purged Contracts - The Department of Finance and Administration, Division of Accounts shall prepare and submit to the Comptroller of the Treasury a report at each quarter end summarizing the late contract payments made under the authority of this Policy Statement 06. This report shall include the contracting state agency name, vendor name, vendor number, date of payment, amount of payment, contract number, and any other pertinent information available which the Comptroller of the Treasury deems necessary in the monitoring of late contract payments.

Component 03 - Approvals

Section 01 - Commissioner of Finance and Administration

§06-03-101: Approval of Commissioner of Finance and Administration - I, David L. Manning, hereby approve of this Policy Statement 06 of the Department of Finance and Administration, and as such agree with and authorize actions necessary to implement its requirements.

Signed: _____ Date: _____
David L. Manning, Commissioner
Department of Finance and Administration

Section 02 - Comptroller of the Treasury

§06-03-201: Approval of the Comptroller of the Treasury - I, William R. Snodgrass, hereby approve of this Policy Statement 06 of the Department of Finance and Administration, and as such agree with and authorize actions necessary to implement its requirements.

Signed: _____ Date: _____
William R. Snodgrass, Comptroller
Office of the Comptroller of the Treasury

DEPARTMENT OF FINANCE AND ADMINISTRATION - POLICY 06

ATTACHMENT A

Authorization for Payment Under Closed or Purged Contract

The Department of Finance and Administration, Division of Accounts is hereby authorized to make payment to (Vendor Name) _____, (Vendor Number) _____, in the amount of \$ _____ for services rendered under Contract Number _____. Be it known that, if the amount indicated above is in excess of \$25,000.00, the appearance of my(our) signature(s) below indicates and verifies that I(we) have reviewed the situation involved in making this payment and I(we)do not feel it necessary for there to be an amendment to the original contract under which this amount is payable, or for there to be a new contract negotiated before making said payment.

Approvals: (Additional signature lines should be added if necessary)

Signed: _____ Date: _____

Signed: _____ Date: _____

Signed: _____ Date: _____